



Sedibeng District Municipality

**Annual Financial Statements  
for the year ended 30 June 2010**

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## General Information

<b>The following is included in the scope of operation</b>	District Municipality
<b>Grading of local authority</b>	Grade 11 Local Authority
<b>Chief Finance Officer (CFO)</b>	Mr Brendon Scholtz
<b>Accounting Officer</b>	Mr Yunus Chamda
<b>Registered office</b>	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
<b>Business address</b>	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
<b>Postal address</b>	PO Box 471 Vereeniging 1930
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor General

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment

## **Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by Management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report will be presented

The annual financial statements set out on pages 4 to 35, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

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**Mr Yunus Chamda**

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

### 1. Incorporation

The municipality was incorporated on 01 January 1988 and obtained its certificate to commence its business as a regional services council on the same day.

### 2. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had an accumulated surplus of R 259,999,988 and that the municipality's total assets exceed its liabilities by R 262,923,703.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr Yunus Chamda	RSA

### 5. Bankers

The Current bankers appointed by Council through a formal tender process are ABSA bank.

### 6. Auditors

The Auditor General will continue in office for the next financial period.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	2	117,972,319	172,231,917
Inventories	7	110,394	32,257
Trade and other receivables from exchange transactions	8	9,318,589	13,484,960
VAT receivable	9	9,934,977	1,681,972
Construction of Assets in Progress	10	33,205,456	33,770,414
		<b>170,541,735</b>	<b>221,201,520</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	168,382,192	129,620,691
Intangible assets	5	401,531	390,429
		<b>168,783,723</b>	<b>130,011,120</b>
<b>Total Assets</b>		<b>339,325,458</b>	<b>351,212,640</b>
<b>Liabilities</b>			
Current Liabilities			
Financial lease liabilities	12	-	60,021
Unspent conditional grants and receipts	13	32,838,449	26,400,030
Provisions	14	1,827,135	1,708,160
Trade and other payables from exchange transactions	15	41,736,171	38,221,989
		<b>76,401,755</b>	<b>66,390,200</b>
<b>Total Liabilities</b>		<b>76,401,755</b>	<b>66,390,200</b>
<b>Net Assets</b>		<b>262,923,703</b>	<b>284,822,440</b>
<b>Net Assets</b>			
Reserves			
Government grant reserve	11	2,923,715	2,047,382
Accumulated surplus		259,999,988	282,755,058
<b>Total Net Assets</b>		<b>262,923,703</b>	<b>284,822,440</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
<b>Revenue</b>			
Sale of goods	16	305,674	371,463
Rental of facilities and equipment	16	8,428,823	8,026,490
Interest received (trading)	16	141	13,238
Income from agency services	16	5,664,190	4,057,196
Licences and permits	16	42,223,033	38,477,430
Government grants & subsidies	17	252,453,877	228,808,544
Other income	18	1,865,007	2,091,036
Interest received – investment	23	13,813,333	19,441,804
<b>Total Revenue</b>		<b>324,754,078</b>	<b>301,287,201</b>
<b>Expenditure</b>			
General Expenses	19	(83,247,398)	(54,579,209)
Employee related costs	20	(198,381,839)	(158,715,935)
Remuneration of councillors	21	(7,672,806)	(7,215,362)
Debt impairment	22	-	(3,663,701)
Depreciation and amortisation	24	(8,962,556)	(7,106,863)
Finance costs	25	(317)	(29,623)
Collection costs		(218,918)	-
Repairs and maintenance		(7,864,470)	(6,935,182)
Contracted services	27	(33,919,718)	(24,479,909)
Grants and subsidies paid	28	(20,151,737)	(29,724,916)
<b>Total Expenditure</b>		<b>(360,419,759)</b>	<b>(292,450,700)</b>
Gain or loss on disposal of assets and liabilities		90,062	(17,687)
Revenue from non-exchange transactions		13,691,933	96,523,918
<b>(Deficit) surplus for the year</b>		<b>(21,883,686)</b>	<b>105,342,732</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
<b>Balance at 01 July 2008</b>	<b>20,589,054</b>	<b>20,589,054</b>	<b>157,653,883</b>	<b>178,242,937</b>
Changes in net assets				
Offset Depreciation	(1,252,156)	(1,252,156)	-	(1,252,156)
Capital Grants used to purchase PPE	124,830	124,830	-	124,830
Implementation of GAMAP	(17,405,573)	(17,405,573)	19,778,443	2,372,870
Implementation of GAMAP - GGR	(8,773)	(8,773)	-	(8,773)
Net income (expenses) recognised directly in net assets	(18,541,672)	(18,541,672)	19,778,443	1,236,771
Surplus for the year	-	-	105,342,732	105,342,732
Total recognised income and expenses for the year	(18,541,672)	(18,541,672)	125,121,175	106,579,503
<b>Total changes</b>	<b>(18,541,672)</b>	<b>(18,541,672)</b>	<b>125,121,175</b>	<b>106,579,503</b>
<b>Balance at 01 July 2009</b>	<b>2,047,382</b>	<b>2,047,382</b>	<b>282,775,059</b>	<b>284,822,441</b>
Changes in net assets				
Surplus for the year	-	-	(21,883,686)	(21,883,686)
Adjustments	-	-	(891,385)	(891,385)
Capital Grants used to purchase PPE	1,306,085	1,306,085	-	1,306,085
Asset disposals	(16,278)	(16,278)	-	(16,278)
Offset depreciation	(413,474)	(413,474)	-	(413,474)
<b>Total changes</b>	<b>876,333</b>	<b>876,333</b>	<b>(22,775,071)</b>	<b>(21,898,738)</b>
<b>Balance at 30 June 2010</b>	<b>2,923,715</b>	<b>2,923,715</b>	<b>259,999,988</b>	<b>262,923,703</b>



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		243,171,376	228,808,544
Interest income		13,813,333	19,441,804
Other receipts		183,169,397	238,749,115
		<b>440,154,106</b>	<b>486,999,463</b>
<b>Payments</b>			
Employee costs		(206,054,645)	(165,931,297)
Suppliers		(236,901,470)	(161,843,389)
Other cash item		-	(130,634)
		<b>(442,956,115)</b>	<b>(327,905,320)</b>
<b>Net cash flows from operating activities</b>	<b>31</b>	<b>(2,802,009)</b>	<b>159,094,143</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(51,398,574)	(103,466,517)
Proceeds from sale of property, plant and equipment	4	257,692	112,947
Purchase of other intangible assets	5	(256,369)	(271,570)
<b>Net cash flows from investing activities</b>		<b>(51,397,251)</b>	<b>(103,625,140)</b>
<b>Cash flows from financing activities</b>			
Repayment of financial lease liabilities		(60,021)	(330,889)
Finance lease payments		(317)	(29,623)
<b>Net cash flows from financing activities</b>		<b>(60,338)</b>	<b>(360,512)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(54,259,598)</b>	<b>55,108,491</b>
Cash and cash equivalents at the beginning of the year		172,231,917	117,123,424
<b>Cash and cash equivalents at the end of the year</b>	<b>2</b>	<b>117,972,319</b>	<b>172,231,915</b>

## Accounting Policies

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### 1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### 1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

#### Offsets

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

#### 1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

#### 1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 13: Provisions and contingencies

Note 11: Lease classification

Note 15: Doubtful Debts

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## 1.4 RESERVES

### 1.4.1 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### 1.4.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### 1.4.3 Revaluation Reserve

(If Realised through use)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

(If Realised on disposal)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

## 1.5 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset have been initially be measured at cost except where land and buildings have been revalued at fair value at date of the revaluation less subsequent depreciation.

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The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy, refer to note 4. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<b>Infrastructure Assets</b>	<b>Years</b>
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 – 20
<b>Community Assets</b>	<b>Years</b>
Parks and gardens	10 -30
Sport fields	20 – 30
Community halls	30
Recreation facilities	20 – 30
<b>Other Assets</b>	<b>Years</b>
Motor vehicles	5
Plant and equipment	2 – 15
Security measures	3 – 10
Buildings	30
IT equipment	3 – 5
Office equipment	3 - 7
Specialised vehicles	10

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

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The municipality has complied with Directive 4 of February 2008 and applied the requirements of the standard of GRAP 3, Accounting policies, Changes in accounting estimates and errors on the standard on Property, Plant and Equipment, GRAP 17, on initial adoption of the standard.

## 1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Goodwill (negative goodwill) arises on the acquisition of associates and joint ventures.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

### 1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of financial performance when incurred. Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

### 1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

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## 1.7 IMPAIRMENT OF FINANCIAL ASSETS

### Impairment of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

### Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

## 1.8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable GRAP standards. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

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The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations, GRAP 100, and has done so prospectively, for all non-current assets (or disposal groups), that meet the criteria to be classified as held for sale.

An exception to non-recognition and non-measurement, is where items have not been recognised in accordance with other relevant GRAP standards as a result of transitional provisions, which take precedence over the requirements of GRAP 100. The following standards will have to be complied with first, or transitional provisions of these standards are to expire prior to application of GRAP 100:

GRAP 12: Inventories

GRAP 16: Investment property

GRAP 17: Property, Plant and Equipment:

GRAP 101: Agriculture

GRAP 102: Intangible Assets

## 1.9 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

### The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

## 1.10 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## 1.10.1 FINANCIAL ASSETS

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

### 1.10.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

### 1.10.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets policy XX as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

### 1.10.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## 1.10.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to assets management policy, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

## 1.10.2 FINANCIAL LIABILITIES

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

### 1.10.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

### 1.10.3 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

## 1.11 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Inventories, GRAP 12, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality has taken advantage of the three year transitional provision period in which it has to comply with GRAP 12.

Due to the Municipality taking advantage of the above three year transitional provisions, until expiration of these provisions the Municipality need not comply with the following:

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

GRAP 1: Presentation of Financial Statements to the extent that this standard requires presentation, and disclosure, of inventories not measured in accordance with GRAP 12 as a result of the transitional provision.

GRAP 101: Non-current Assets Held for Sale.

The necessary disclosures have been made for non-measurement of inventories in accordance with GRAP 12.

## 1.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## 1.13 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

The municipality on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment. Due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions. All necessary disclosure for those assets not recognised as Property, Plant and Equipment have been made.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Where items have not been recognised in accordance with GRAP 17, Property, Plant and equipment as a result of transitional provisions, which take precedence over the requirements of GRAP 19. The GRAP 17 will have to be complied with first, or transitional provisions of this standard are to expire prior to application of GRAP 19.

The necessary disclosures have been made for non-recognition of provisions (which form part of the cost of an asset).

## 1.14 EMPLOYEE BENEFITS

### 1.14.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

## 1.14.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

## 1.14.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

## 1.14.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## 1.14.5 Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

## 1.15 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

### 1.15.1 Revenue from exchange transactions

#### Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

#### Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

## Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Revenue from Exchange Transaction, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

## Sale of Fuel

The municipality is selling AVGAS fuel at the Vereeniging Airport as part of enhancing service delivery to a specific community group.

### 1.15.2 Revenue from non-exchange transactions

#### Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

### 1.15.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

### 1.15.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## 1.16 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

## 1.17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.18 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.20 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## 1.21 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

## 1.22 RELATED PARTIES

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls." Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

Sedibeng District Municipality performs an agency function on behalf of the Department of Health related to Ambulance services as well as an agency service with the Department of Transport, Roads and Works related to motor vehicle license renewal fees.

**Council does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.**

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
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### 2. Cash and cash equivalents

Cash, cash equivalents and short term investments consist of:

Cash on hand	40,175	40,175
Cash book balances	23,273,539	12,968,867
Investment deposits	94,658,605	159,222,875
	<b>117,972,319</b>	<b>172,231,917</b>
Current assets - Bank balances and cash on hand	23,313,714	13,009,042
Current assets - Investment deposit	94,658,605	159,222,875
	<b>117,972,319</b>	<b>172,231,917</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK - Account Type - Primary Bank Account	10,603,511	1,388,301	3,820,129	10,306,855	321,171	1,867,622
ABSA BANK - Account Type - Licence Function Bank Account	12,541,510	12,298,979	12,417,413	12,541,510	12,298,979	12,417,413
ABSA BANK - Account Type - RSC Levy Bank Account	425,174	325,612	236,628	425,174	297,010	235,037
NEDBANK - Account Type - Theatre Bank Account	-	51,707	51,685	-	51,707	51,685
<b>Total</b>	<b>23,570,195</b>	<b>14,064,599</b>	<b>16,525,855</b>	<b>23,273,539</b>	<b>12,968,867</b>	<b>14,571,757</b>

#### Investments Deposits

ABSA Bank - Call Account - 908 579 6427	4,260,870	6,711,404
STANDARD Bank - Investment account - 228499054	40,285,855	65,504,815
ABSA Bank - Investment Account - 206 832 6856	30,101,195	85,924,288
NEDBANK - Theatre Investment Account - 1729 365 426	-	230,740
NEDBANK - Theatre Investment Account - 048 33192	-	851,628
First National Bank - Investment Account - 742 724 208 67	20,010,685	-
	<b>94,658,605</b>	<b>159,222,875</b>

### 3. Changes in accounting estimate

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year. Operating leases have been restated in accordance with GRAP 13. The impact of the implementation is very limited as the majority of operating leases have a 0% escalation clause except the lease of one property.

Residual value on fixed assets has been implemented resulted in a change in the depreciation of fixed assets taken into account the residual value while all assets with a purchase price of less than R5,000 being expense in the same year as acquisitions.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

### 4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land & Buildings	113,920,574	(3,937,567)	109,983,007	98,204,629	(241,961)	97,962,668
Furniture and fixtures	8,122,080	(6,647,355)	1,474,725	6,549,435	(3,807,108)	2,742,327
Motor vehicles	9,156,427	(5,292,575)	3,863,852	9,322,803	(4,674,711)	4,648,092
Electronic equipment	16,925,051	(10,122,908)	6,802,143	12,998,425	(6,284,352)	6,714,073
Infrastructure	51,550,413	(7,614,935)	43,935,478	21,245,204	(5,178,810)	16,066,394
Other property, plant and equipment	7,966,582	(5,954,891)	2,011,691	6,481,016	(5,323,371)	1,157,645
Specialised vehicles	453,091	(141,795)	311,296	453,091	(123,599)	329,492
Medical Equipment	-	-	-	1,500	(1,500)	-
<b>Total</b>	<b>208,094,218</b>	<b>(39,712,026)</b>	<b>168,382,192</b>	<b>155,256,103</b>	<b>(25,635,412)</b>	<b>129,620,691</b>

#### Reconciliation of property, plant and equipment – 2010

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
Land & Buildings	97,962,668	14,063,206	-	-	(2,042,867)	109,983,007
Furniture and fixtures	2,742,327	1,572,645	-	-	(2,840,247)	1,474,725
Motor vehicles	4,648,092	-	-	-	(784,240)	3,863,852
Electronic equipment	6,714,073	4,190,646	(159,166)	-	(3,943,410)	6,802,143
Infrastructure	16,066,394	30,074,384	-	-	(2,205,300)	43,935,478
Other property, plant and equipment	1,157,645	1,497,693	(8,464)	-	(635,183)	2,011,691
Specialised vehicles	329,492	-	-	-	(18,196)	311,296
	<b>129,620,691</b>	<b>51,398,574</b>	<b>(167,630)</b>	<b>-</b>	<b>(12,465,058)</b>	<b>168,382,192</b>

#### Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land & Buildings	23,906,009	87,175,032	4,762,360	(16,747,914)	-	(1,132,819)	97,962,668
Furniture and fixtures	2,203,273	1,035,435	-	-	-	(496,381)	2,742,327
Motor vehicles	5,934,735	472,481	(75,578)	-	-	(1,683,546)	4,648,092
Electronic equipment	3,578,922	4,734,976	(54,106)	-	-	(1,545,719)	6,714,073
Infrastructure	8,427,908	9,348,886	-	-	-	(1,710,400)	16,066,394
Community	10,342,497	-	(4,762,360)	(5,200,053)	-	(380,084)	-
Other property, plant and equipment	972,454	699,707	(950)	-	-	(513,566)	1,157,645
Specialised vehicles	359,698	-	-	-	-	(30,206)	329,492
	<b>55,725,496</b>	<b>103,466,517</b>	<b>(130,634)</b>	<b>(21,947,967)</b>	<b>-</b>	<b>(7,492,721)</b>	<b>129,620,691</b>

A sworn appraisal , Meldane Property and Valuation services cc was appointed and the service of the evaluation was performed by G Wampach - MIV(SA) a registered professional valuer in terms of section 20(2)(A) of the Valuers Act 2000 (144/9) . The evaluations were performed in May2010. These valuations were done based on market value.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

### 5. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	3,278,197	(2,876,666)	401,531	3,021,828	(2,631,399)-	390,429
	<b>3,278,197</b>	<b>(2,876,666)</b>	<b>401,531</b>	<b>3,021,828</b>	<b>(2,631,399)-</b>	<b>390,429</b>

#### Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Amortisation	Total
Computer software, other	390,429	256,369	(245,267)	401,531
	<b>390,429</b>	<b>256,369</b>	<b>(245,267)</b>	<b>401,531</b>

#### Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Amortisation	Total
Computer software, other	985,156	271,570	(866,297)	390,429
	<b>985,156</b>	<b>271,570</b>	<b>(866,297)</b>	<b>390,429</b>



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
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### 6. Other financial assets

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

### 7. Inventories

Fuel Avgas	24,796	32,257
JET A1	85,597	-
	<b>110,394</b>	<b>32,257</b>

### 8. Trade and other receivables from exchange transactions

Debtors	692,383	717,387
VAT on Accruals	562,471	-
Government subsidies	-	7,411,750
Bank Error	49,351	25,038
Capital Project - Bridging Finance	-	172,349
Operating Projects - Bridging Finance	3,397,542	980,937
Department of Transport - Licence refund	3,617,828	3,614,119
Local Municipalities - Agency services	999,014	563,380
	<b>9,318,589</b>	<b>13,484,960</b>

### 9. VAT receivable

VAT	9,934,977	1,681,972
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### 10. Construction of Assets in Progress

#### Related Projects

Upgrade Matanzima Road Phase1	-	2,768,989
Upgrade Matanzima Road Phase1	2,980,295	2,980,295
Construction Bonatla Road Phase 2	137,985	157,303
Upgrade Ring Road Phase 2	1,906,396	232,178
Construction of Hantsi Road	-	4,394,048
Construction of Thorometsane road	7,330,212	7,330,212
Construction of Sekwati Road	10,279,620	8,402,241
Construction of Tea-Tea Road	3,208,496	2,752,550
Construction of Dlamini Road	-	4,715,032
MMampoi Street Zone 11	-	37,566
Evaton Pedestrian Sidewalk	431,530	-
Road Signage	541,878	-
Sharpeville Community Hall	1,439,170	-
Sharpeville Police Station	346,050	-
Sharpeville Cemetery	4,603,825	-
	<b>33,205,457</b>	<b>33,770,414</b>

### 11. Government grant reserve

Opening balance	2,047,382	20,589,053
Capital grants used to obtain property, plant and equipment	1,306,085	124,830
Offset depreciation	(413,475)	(1,252,155)
Asset Transfer out	-	(17,405,573)
Asset Disposal	(16,277)	(8,773)
	<b>2,923,715</b>	<b>2,047,382</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
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### 12. Financial lease liabilities

#### Held at amortised cost

Absa Motor Vehicle Loan	-	60,021
Redeemable in July 2009 and September 2009		

#### Current liabilities

At amortised cost	-	60,021
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### 13. Unspent conditional grants and receipts

Below is a list of all grants where all the conditions were not yet met during the year under review.

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Provincial Grants	10,654,036	16,973,519
National Grants	19,349,833	1,933,809
DPLG Grants	2,834,580	6,291,847
Local Municipality Grants	-	1,000,855
DBSA Grants	-	200,000
	<b>32,838,449</b>	<b>26,400,030</b>

#### Movement during the year

Balance at the beginning of the year	26,400,030	20,153,769
Additions during the year	26,273,000	18,452,724
Income recognition during the year	(19,834,581)	(12,206,463)
	<b>32,838,449</b>	<b>26,400,030</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 17 for reconciliation of grants from National/Provincial Government.

These amounts are invested in an investment account until utilised.

### 14. Provisions

#### Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Performance Bonus	1,141,900	-	1,141,900
Retirement Bonus	566,260	118,975	685,235
	<b>1,708,160</b>	<b>118,975</b>	<b>1,827,135</b>

#### Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus	1,601,900	-	(460,000)	1,141,900
Retirement Bonus	457,770	108,490	-	566,260
	<b>2,059,670</b>	<b>108,490</b>	<b>(460,000)</b>	<b>1,708,160</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
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### 15. Trade and other payables from exchange transactions

Trade payables	19,356,490	6,039,395
Accrued leave pay	13,613,807	9,441,559
Operating lease liabilities	63,185	27,794
Department of Transport (Licence fees)	2,551,303	11,179,109
Local Municipalities Rates Accounts	5,891,489	6,725,430
I - Control	-	1,899,215
Compensation Commissioner	-	957,939
Licence Intervention	-	324,100
Insurance Claims	7,885	-
Mayoral Event Sponsorships	78,800	78,800
Sanlam - Cape Trust	-	73,932
Ambulance fees in advance	66,197	43,521
Refundable town hall rental deposits	40,181	38,810
Unclaimed Salaries	5,574	3,189
Salaries in arrears	54,645	775,812
Unknown deposits	-	457,936
VAT on Debtors	6,614	155,448
	<b>41,736,171</b>	<b>38,221,989</b>

### 16. Revenue

Sale of goods	305,674	371,463
Income from agency services	5,664,190	4,057,196
Licences and permits	42,223,033	38,477,430
Government grants & subsidies	252,453,877	228,808,544
	<b>300,646,774</b>	<b>271,714,633</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	305,674	371,463
Rental of facilities & equipment	8,428,823	8,026,490
Income from agency services	5,664,190	4,057,196
Licences and permits	42,223,033	38,477,430
	<b>56,621,720</b>	<b>50,932,579</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

Government grants & subsidies	252,453,877	228,808,544
Initial recognition of fixed assets at fair value	13,691,933	-
	<b>266,145,810</b>	<b>228,808,544</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
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### 17. Government grants and subsidies

Equitable share	201,582,745	186,955,080
Ambulance Subsidies	31,120,000	29,647,000
Youth Grant	1,000,000	-
Support Grants	18,751,132	12,206,464
	<b>252,453,877</b>	<b>228,808,544</b>

#### Equitable Share

Current-year receipts	(201,582,745)	(186,955,080)
Conditions met - transferred to revenue	201,582,745	186,955,080
	-	-

Conditions still to be met - remain liabilities (see note 13)

#### Ambulance Subsidies

Current-year receipts	(31,120,000)	(29,647,000)
Conditions met - transferred to revenue	31,120,000	29,647,000
	-	-

Conditions still to be met - remain liabilities (see note 13)

#### Provincial Grants

Balance unspent at beginning of year	16,973,519	4,003,124
Current-year receipts	650,000	15,097,725
Conditions met - transferred to revenue	(6,969,483)	(2,127,330)
	<b>10,654,036</b>	<b>16,973,519</b>

Conditions still to be met - remain liabilities (see note 13)

#### National Grants

Balance unspent at beginning of year	1,933,809	1,567,588
Current-year receipts	24,623,000	1,235,000
Conditions met - transferred to revenue	(7,017,976)	(868,779)
Transfer back to Grant Authority	(189,000)	-
	<b>19,349,833</b>	<b>1,933,809</b>

Conditions still to be met - remain liabilities (see note 13)

#### DPLG Grants

Balance unspent at beginning of year	6,291,847	14,302,201
Conditions met - transferred to revenue	(3,457,267)	(8,010,354)
	<b>2,834,580</b>	<b>6,291,847</b>

Conditions still to be met - remain liabilities (see note 13)

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
<b>Local Municipality Grants</b>		
Balance unspent at beginning of year	1,000,855	280,855
Current-year receipts	-	720,000
Conditions met - transferred to revenue	(1,000,855)	-
	-	<b>1,000,855</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>Youth Development Grant</b>		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 13)		
<b>DBSA Grant</b>		
Balance unspent at beginning of year	200,000	-
Current-year receipts	-	200,000
Conditions met - transferred to revenue	(200,000)	-
	-	<b>200,000</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>18. Other revenue</b>		
Adhoc income	151,252	739,681
Skills levy income	708,746	601,619
Ambulance fees	657,892	566,725
Tender income	221,323	83,662
Commission on salaries	125,794	99,349
	<b>1,865,007</b>	<b>2,091,036</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
<b>19. General expenses</b>		
Advertising	1,746,412	1,482,683
Assessment rates & municipal charges	4,651,187	3,064,064
Auditors remuneration	2,756,648	1,416,048
Bank charges	652,426	710,242
Computer expenses	2,258,991	2,380,446
Consulting and professional fees	4,721,138	3,716,570
Consumables	1,095,509	1,151,330
Entertainment	432,485	130,548
Insurance	1,975,483	1,491,672
Lease rentals on operating lease	5,131,935	4,845,253
Marketing	15,316,450	-
Magazines, books and periodicals	265,741	240,402
Fuel and oil	799,895	806,252
Postage and courier	21,388	16,562
Printing and stationery	2,763,085	2,602,353
Promotions	2,245,130	2,984,088
Protective clothing	1,073,129	1,070,690
Royalties and license fees	2,208,363	1,993,722
Staff welfare	1,332,219	-
Subscriptions and membership fees	1,094,718	791,473
Telephone and fax	4,196,116	3,326,438
Training	2,706,301	1,818,347
Travel - local	2,976,041	2,332,649
Campaigns	1,008,054	-
Office refreshments	424,843	417,952
Workshops	8,573,437	6,453,410
Congresses & Meetings	636,527	995,303
Expenses from Grants	6,446,896	4,669,959
External Bursaries	948,000	817,425
Donations & Grants	588,908	530,086
Catering Expenses	1,944,076	1,902,396
Sale of goods - Avgas fuel	255,867	420,846
	<b>83,247,398</b>	<b>54,579,209</b>

## 20. Employee related costs

### Employee related cost exclusive of Section 57 employees

Basic	118,558,656	91,549,477
Medical aid - company contributions	9,512,471	7,303,588
UIF	1,094,137	930,603
WCA	1,223,265	957,939
SDL	1,501,338	1,215,585
Other payroll levies	2,420,595	1,861,467
Leave pay provision charge	5,780,814	2,980,769
Post-employment benefits - Pension - Defined contribution plan	23,223,200	17,651,528
Overtime payments	8,817,512	8,955,663
13th Cheques	8,633,816	10,319,089
Car allowance	9,978,257	8,492,067
Housing benefits and allowances	1,432,175	1,640,814
Telephone Allowances	1,061	-
Standby Allowance	1,911,726	392,750
	<b>194,089,023</b>	<b>154,251,339</b>

### Remuneration of municipal manager

Annual Remuneration	859,807	547,149
Car Allowance	119,784	-
Performance Bonuses	-	104,677
Contributions to UIF, Medical and Pension Funds	78,870	28,369
	<b>1,058,461</b>	<b>680,195</b>

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	539,033	512,280
Car Allowance	120,000	102,000
Performance Bonuses	-	71,521
Contributions to UIF, Medical and Pension Funds	144,756	132,266
Housing Allowance	4,800	4,800
	<b>808,589</b>	<b>822,867</b>

### Remuneration of executive directors

Annual Remuneration	1,769,456	2,076,739
Car Allowance	372,348	434,133
Performance Bonuses	-	167,840
Contributions to UIF, Medical and Pension Funds	283,962	282,822
	<b>2,425,766</b>	<b>2,961,534</b>

The Executive Director for Strategic Planning and Economic Development (SPED) is vacant since the former Executive Director in the portfolio has been appointed as the Municipal Manager. Currently a person is acting in that capacity.

<b>Total</b>	<b>198,381,839</b>	<b>158,715,935</b>
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### 21. Remuneration of councillors

Executive Major	628,199	631,498
Mayoral Committee Members	3,708,175	3,624,500
Speaker	501,855	486,147
Councillors	2,127,119	1,816,974
Councillors' pension contribution	707,458	656,243
	<b>7,672,806</b>	<b>7,215,362</b>

### 22. Debt impairment

Debt impairment	-	3,663,701
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### 23. Investment revenue

#### Interest revenue

Bank	13,813,333	19,441,804
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### 24. Depreciation

Property, plant and equipment	8,962,556	7,106,863
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### 25. Finance costs

Finance leases	317	29,623
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Capitalisation rates used during the period were 11% on specific borrowings for capital projects and 11% being the weighted average cost of funds borrowed generally by the municipality.

### 26. Auditors' remuneration

Fees	2,756,648	1,416,048
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# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
<b>27. Contracted Services</b>		
Specialist Services	11,714,383	10,059,100
Other Contractors	22,205,335	14,420,809
	<b>33,919,718</b>	<b>24,479,909</b>
<b>28. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grants paid to Local Municipalities	20,151,737	29,724,916
<b>29. Cash receipts from customers</b>		
Income	324,754,078	301,287,201
Inventories	(78,137)	(32,257)
Trade and other receivables from exchange transactions	4,166,371	16,068,808
VAT	(8,253,005)	324,862
	<b>320,589,307</b>	<b>317,648,614</b>
<b>30. Cash paid to suppliers and employees</b>		
Expenses	360,419,759	292,450,700
Movements in provisions	(118,975)	351,510
Construction of Assets in Progress	(564,958)	8,183,830
Trade and other payables from exchange transactions	(3,514,185)	(8,088,010)
Unspent conditional grants and receipts	(6,438,419)	(6,246,261)
Depreciation	(8,962,556)	(7,106,863)
Deficit on sale of assets	-	130,634
Finance costs	(317)	(29,623)
Surplus/Deficit account adjustments	891,385	(19,778,443)
Assets Adjustments	(18,320,418)	(101,313,003)
	<b>323,391,316</b>	<b>158,554,471</b>
<b>31. Cash (used in) generated from operations</b>		
(Deficit) surplus	(21,883,686)	105,342,732
<b>Adjustments for:</b>		
Depreciation	8,962,556	7,106,863
Loss / (Gain) on sale of assets and liabilities	(90,062)	17,687
Initial recognition of fixed asset at fair value	(13,691,933)	(96,523,918)
Finance costs - Finance leases	317	29,623
Debt impairment	-	3,663,701
Asset Disposals	-	(130,634)
Movements in provisions	118,975	(351,510)
Asset movement	18,320,418	101,313,003
Surplus/Deficit account adjustments	(891,385)	19,778,443
<b>Changes in working capital:</b>		
Inventories	(78,137)	(32,257)
Trade and other receivables from exchange transactions	4,166,371	16,068,808
Consumer debtors	-	(3,663,701)
Construction of Assets in Progress	564,958	(8,183,830)
Trade and other payables from exchange transactions	3,514,185	8,088,010
VAT	(8,253,005)	324,862
Unspent conditional grants and receipts	6,438,419	6,246,261
	<b>(2,802,009)</b>	<b>159,094,143</b>



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rands	2010	2009
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### 32. Correction of prior period errors

#### 32.1 Revaluation Surplus

In 2009, an error was made in the recognition of revenue from non-exchange transactions received from local municipalities at no cost. The fair value relating to these assets was recognised as revaluation surplus instead of revenue from non exchange transactions. The comparative amounts for 2009 have been restated. The effect of the restatement on the financial statements is summarised below.

	2009 R	2008 R
Increase in Revenue from non exchange transactions	-96,523,918.00	
Increase in Depreciation and amortisation	207,777.00	
Increase in total comprehensive income for the year	-96,316,141.00	
Decrease in revaluation surplus	96,316,141.00	0.00
Increase in accumulated surplus	-96,316,141.00	0.00
Adjustment against retained earnings at the beginning of 2009		0.00

### 33. Commitments

#### 33.1 Authorised capital expenditure

This committed expenditure relates to unspent conditional grants where the conditions are not yet met by the service provider. See note 13 for detail.

#### 33.2 Operating leases – as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are normally fixed for an average of three years. No contingent rent is payable.

Minimum lease payments due	-	-
Not later than one year	-	-
Later than one year and not later than five years	7 736 839	456 347
Later than 5 years	2 241 441	-
Less: future finance charges	(63 185)	(27 794)
Present Value of minimum lease payments	9 915 095	428 553

### 34. Contingencies

The municipality might be liable for claims instituted against the municipality from employees with disputes against Council. The amount is uncertain as an arbitration award has not yet being issued against those claims. Future payments to employees related to the dispute on the interpretation of the salary negotiation settlement for 2009/10 will result in a liability of approximately R 550,000.

The South African local authority's pension fund currently has a claim against council where the liability amount to R941,739. The matter is pending in South Gauteng High Court.

M Tsokolibane claim for damages arising out of an injury allegedly sustained as a result of negligence on the part of Council. The damages claimed amount to R 285,000 plus medical expenses, which are in the process of being quantified.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

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### 35. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

### 36. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had an accumulated surplus of 259,999,988 and that the municipality's total assets exceed its liabilities by 262,923,703.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 37. Events after the reporting date

There were no major events after reporting date:

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

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### 38. Additional disclosure in terms of Municipal Finance Management Act

#### PAYE, UIF & SDL

Current year subscription / fee	27,404,132	22,191,934
Amount paid - current year	(27,404,132)	(22,191,934)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	48,905,770	37,034,883
Amount paid - current year	(48,905,770)	(37,034,883)
	-	-

#### VAT

VAT receivable	9,934,977	1,681,972
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All VAT returns have been submitted by the due date throughout the year.

### 39. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	-	60,021
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 40. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

### 41. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

### 42. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. Refer to Appendix G

Further to this, payments were made to Vereeniging Top Travel to the amount of R586,085 where this service where not procured through the normal supply chain management processes.

### 43. Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in the entity's possession
Owned television sets	24	17 sets were used for the full year 7 sets were procured during the financial year
Rented or leased television sets	-	
Number of sets donated / alienated	-	
<b>TOTAL</b>	<b>24</b>	

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

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### 44. Unauthorised, Irregular, Fruitless and Wasteful Expenditure disallowed

#### 44.1 Fruitless and wasteful expenditure

The Speaker of Council received a motor vehicle allowance based on the Public office bearer's remuneration act; however council also rented a vehicle to be utilized by the Speaker in the execution of her duties thereby causing the Municipality to incur fruitless and wasteful expenditure. During the investigation an amount of approximately R 322 000 was discovered which still need to be verified.

#### 44.2 Unauthorised expenditure

Unauthorised expenditure in respect of the over expenditure on employee costs and grants paid amounting to R5,846,329 and R18,651,737 respectively has been incurred.

### 45. Additional Note

Appendix B : Analysis of Property, plant and equipment

Appendix C : Segmental Analysis of Property, plant and equipment

Appendix D : Segmental Statement of Financial Performance

Appendix E(1) : Actual vs Budget (Revenue and Expenditure)

Appendix E(2) : Actual vs Budget (Acquisition of Property, plant and equipment)

Appendix F : Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

Appendix G : Deviations from Supply Chain Management Regulations

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010										
	Cost/Revaluation				Accumulated Depreciation				Carrying Value	Budget Additions
	Opening Balance	Additions /	Disposals	Closing Balance	Opening Balance	Additions /	Disposals	Closing Balance		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Buildings</b>										
Land	38,971,285	2,936,450	-	41,907,735	608,655	-	-	608,655	41,299,080	-
Buildings	60,886,083	11,126,756	-	72,012,839	1,286,046	2,042,866	-	3,328,912	68,683,927	5,750,000
	99,857,368	14,063,206	-	113,920,574	1,894,701	2,042,866	-	3,937,567	109,983,007	5,750,000
<b>Motor vehicles</b>										
Vehicles	9,322,803	-	166,376	9,156,427	4,674,711	784,240	166,376	5,292,575	3,863,852	1,585,000
	9,322,803	-	166,376	9,156,427	4,674,711	784,240	166,376	5,292,575	3,863,852	1,585,000
<b>IT equipment</b>										
Computer Equipment	12,998,425	4,190,646	264,020	16,925,051	6,284,352	3,943,410	104,854	10,122,908	6,802,143	9,220,610
	12,998,425	4,102,628	264,020	16,837,033	6,284,352	3,939,024	104,854	10,118,522	6,718,511	9,220,610
<b>Computer software</b>										
Intangible Asset	3,021,828	256,369	-	3,278,197	2,631,399	245,267	-	2,876,666	401,531	300,000
	3,021,828	256,369	-	3,278,197	2,631,399	245,267	-	2,876,666	401,531	300,000
<b>Infrastructure</b>										
Security	7,680,905	30,074,385	-	37,755,290	4,380,604	1,515,801	-	5,896,405	31,858,885	31,600,000
Airport	9,921,064	-	-	9,921,064	270,647	495,933	-	766,580	9,154,484	-
Electricity	100,974	-	-	100,974	415	5,045	-	5,460	95,514	-
Water	3,773,085	-	-	3,773,085	757,969	188,520	-	946,489	2,826,596	-
	21,476,028	30,074,385	-	51,550,413	5,409,635	2,205,299	-	7,614,934	43,935,479	31,600,000
<b>Other property, plant and equipment</b>										
Office Equipment	6,481,017	1,497,692	12,127	7,966,582	5,323,371	635,183	3,663	5,954,891	2,011,691	3,000,000
Furniture & Fittings	6,549,435	1,572,645	-	8,122,080	3,807,108	2,840,247	-	6,647,355	1,474,725	3,399,874
Emergency Equipment	1,500	-	-	1,500	1,500	-	-	1,500	-	-
Aircraft	384,211	-	-	384,211	79,018	17,213	-	96,231	287,980	-
Watercraft	68,880	-	-	68,880	44,581	983	-	45,564	23,316	-
	13,485,043	3,070,337	12,127	16,543,253	9,255,578	3,493,626	3,663	12,745,541	3,797,712	6,399,874
<b>Total</b>										
Buildings	99,857,368	14,063,206	-	113,920,574	1,894,701	2,042,866	-	3,937,567	109,983,007	5,750,000
Motor vehicles	9,322,803	-	166,376	9,156,427	4,674,711	784,240	166,376	5,292,575	3,863,852	1,585,000
IT equipment	12,998,425	4,190,646	264,020	16,925,051	6,284,352	3,943,410	104,854	10,122,908	6,802,143	9,220,610
Computer software	3,021,828	256,369	-	3,278,197	2,631,399	245,267	-	2,876,666	401,531	300,000
Infrastructure	21,476,028	30,074,385	-	51,550,413	5,409,635	2,205,299	-	7,614,934	43,935,479	31,600,000
Other property, plant and equipment	13,485,043	3,070,337	12,127	16,543,253	9,255,578	3,493,626	3,663	12,745,541	3,797,712	6,399,874
	160,161,495	51,654,943	442,523	211,373,915	30,150,376	12,714,709	274,893	42,590,192	168,783,723	54,855,484

# **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary Information**

Appendix C: Segmental analysis of Property, plant and equipment

**Sedibeng District Municipality**

APPENDIX C for the period ended 30 June 2010  
June 2010

**GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Executive & Council	2,294,832	540,229	-	21,403	<b>2,813,658</b>	1,233,927	732,901	8,943	<b>1,957,885</b>	<b>855,773</b>
Finance & Admin	49,789,565	4,529,093	-	77,016	<b>54,153,626</b>	12,869,391	4,696,081	28,387	<b>17,537,085</b>	<b>36,704,557</b>
Planning & Development	5,626,487	778,505	-	20,597	<b>6,384,395</b>	1,878,460	985,849	8,235	<b>2,856,074</b>	<b>3,528,321</b>
Health	864,723	140,075	-	5,899	<b>998,899</b>	465,018	290,311	2,356	<b>752,973</b>	<b>245,926</b>
Community & Social Services	2,060,075	312,410	-	27,193	<b>2,345,292</b>	1,251,466	580,836	1,861	<b>1,830,441</b>	<b>514,851</b>
Housing	230,959	23,946	-	10,300	<b>244,605</b>	107,442	42,955	2,583	<b>147,814</b>	<b>96,791</b>
Public Safety	10,977,228	29,546,184	-	252,307	<b>40,271,105</b>	5,517,427	2,168,528	215,100	<b>7,470,855</b>	<b>32,800,250</b>
Sport & Recreation	49,075	7,842	-	-	<b>56,917</b>	18,739	31,814	-	<b>50,553</b>	<b>6,364</b>
Environmental Protection	1,855,453	31,166	-	11,491	<b>1,875,128</b>	1,518,396	220,121	3,261	<b>1,735,256</b>	<b>139,872</b>
Waste Management	62,608	657	-	-	<b>63,265</b>	45,403	6,326	-	<b>51,729</b>	<b>11,536</b>
Road Transport	59,356,216	15,629,396	-	16,316	<b>74,969,296</b>	3,855,342	1,935,565	4,166	<b>5,786,741</b>	<b>69,182,555</b>
Water	-	-	-	-	<b>-</b>	-	-	-	<b>-</b>	<b>-</b>
Electricity	-	-	-	-	<b>-</b>	-	-	-	<b>-</b>	<b>-</b>
Other	26,994,273	115,440	-	-	<b>27,109,713</b>	1,389,363	1,023,423	-	<b>2,412,786</b>	<b>24,696,927</b>
	<b>160,161,494</b>	<b>51,654,943</b>	<b>-</b>	<b>442,522</b>	<b>211,373,915</b>	<b>30,150,374</b>	<b>12,714,710</b>	<b>274,892</b>	<b>42,590,192</b>	<b>168,783,723</b>

# **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary Information**

Appendix D: Segmental Statement of Financial Performance



**Sedibeng District Municipality**

APPENDIX D for the period ended 30 June 2010

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

Prior year			Current year		
Actual Income	Actual Expenditure	Surplus /(Deficit)	Actual Income	Actual Expenditure	Surplus /(Deficit)
(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Municipality					
-	18,302,688	(18,302,688)	Executive & Council	-	24,656,488
320,168,841	131,522,171	188,646,670	Finance & Administration	254,712,583	162,764,428
-	17,528,218	(17,528,218)	Planning & Development	-	23,322,881
30,256,516	40,429,733	(10,173,217)	Health	31,781,880	49,244,337
512,404	17,628,060	(17,115,656)	Community & Social Services	1,587,630	21,680,046
-	1,504,214	(1,504,214)	Housing	-	2,321,431
600,000	16,998,095	(16,398,095)	Public Safety	-	19,517,716
-	-	-	Sport and Recreation	-	-
-	12,364,202	(12,364,202)	Environmental Protection	-	15,626,797
-	-	-	Waste Water Management	-	-
38,553,050	32,063,871	6,489,179	Road Transport	42,307,114	36,151,287
-	-	-	Water	-	-
-	-	-	Electricity	-	-
7,824,481	4,231,308	3,593,173	Other	8,146,867	5,134,348
397,915,292	292,572,560	105,342,732		338,536,073	360,419,759
					(21,883,686)

## **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2010

### **Supplementary Information**

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

**Sedibeng District Municipality**

APPENDIX E(1) for the ended 30 June 2010  
June 2010

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010**

	Actual Balance	Budget Amount	Variance		Explanation of Significant Variances greater than 10% versus Budget
	(000's)	(000's)	(000's)	Var	
<b>Revenue</b>					
Rental of facilities and equipment	8,429	9,734	(1,305)	(13.4)	Fresh produce market income not realized
Interest received 1	-	-	-	-	
Licences and permits	42,223	38,000	4,223	11.1	Revenue exceeds budget based on license renewals
Income from agency services	5,664	5,443	221	4.1	
Government grants & subsidies	252,454	272,813	(20,359)	(7.5)	NDPG project delay in public participation processes within Sharpeville
Trading and general	306	469	(163)	(34.8)	Fuel sales not realized
	309,076	326,459	(17,383)	(5.3)	
<b>Other income</b>					
Other income	1,865	2,911	(1,046)	(35.9)	Skills levy income not realized
Interest received - investment	13,813	13,000	813	6.3	
Property, plant and equipment	90	200	(110)	(55.0)	Losses on disposals of assets
Revenue from non exchange transactions	13,692	-	13,692	-	Initial recognition of fixed assets against fair value
	29,460	16,111	13,349	82.9	
<b>Cost of sales</b>					
Sale of goods	(256)	(261)	5	(1.9)	
Manufacturing - Depreciation and impairments	(8,963)	(6,669)	(2,294)	34.4	Rectification of revaluation reserve related to prior year resulted in over expenditure..
	(9,219)	(6,930)	(2,289)	33.0	
<b>Total Revenue</b>	<b>329,317</b>	<b>335,640</b>	<b>(6,323)</b>	<b>-</b>	
<b>Expenses</b>					
Employee related costs	(198,382)	(192,308)	(6,074)	3.2	
Remuneration of councillors	(7,673)	(7,900)	227	(2.9)	
Debt impairment	-	(450)	450	(100.0)	No debt impairment needed
Collection costs	(219)	(219)	-	-	
Repairs and maintenance	(7,864)	(8,010)	146	(0.7)	
Finance costs	-	(1)	1	(100.0)	Loans redeemed in total
Contracted Services	(33,920)	(34,273)	353	(1.0)	
Grants and subsidies paid	(20,152)	(1,500)	(18,652)	1,243.5	Capital projects transferred to Local Municipalities on completion
General expenses	(82,991)	(79,372)	(3,619)	4.6	
Property, plant and equipment	-	-	-	-	
	<b>(351,201)</b>	<b>(324,033)</b>	<b>(27,168)</b>	<b>8.4</b>	
<b>Operating profit</b>	<b>(21,884)</b>	<b>11,607</b>	<b>(33,491)</b>	<b>(253.8)</b>	
Other revenue and costs					
<b>Net surplus/ (deficit) for the year</b>	<b>(21,884)</b>	<b>11,607</b>	<b>(33,491)</b>	<b>(253.8)</b>	

# **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary Information**

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

**Sedibeng District Municipality**

APPENDIX E(2) for the period ended 30 June 2010  
June 2010

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget
<b>GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010</b>							
<b>Buildings</b>							
Land	2,936,450	-	2,936,450	-	2,936,450	100	Revaluation of Land
Buildings	11,126,756	-	11,126,756	5,750,000	5,376,756	48	Revaluation of Buildings
	<b>14,063,206</b>	-	<b>14,063,206</b>	<b>5,750,000</b>	<b>8,313,206</b>	<b>59</b>	-
<b>Motor vehicles</b>							
Vehicles	-	-	-	1,585,000	(1,585,000)	-	Delay in tender procedure resulted in procurement process being postponed
Office equipment	-	-	-	1,585,000	(1,585,000)	-	-
	-	-	-	-	-	-	-
<b>IT equipment</b>							
Computer Equipment	4,190,646	-	4,190,646	9,220,610	(5,029,964)	(120)	Financial systems procurement not realized and further investigation currently underway
	<b>4,190,646</b>	-	<b>4,190,646</b>	<b>9,220,610</b>	<b>(5,029,964)</b>	<b>(120)</b>	-
<b>Computer software</b>							
Intangible Assets	256,369	-	256,369	300,000	(43,631)	(17)	Not all software procured as planned
	<b>256,369</b>	-	<b>256,369</b>	<b>300,000</b>	<b>(43,631)</b>	<b>(17)</b>	-
<b>Infrastructure</b>							
Security	30,074,385	-	30,074,385	31,600,000	(1,525,615)	(5)	
Airport	-	-	-	-	-	-	
Electricity	-	-	-	-	-	-	
Water	-	-	-	-	-	-	
	<b>30,074,385</b>	-	<b>30,074,385</b>	<b>31,600,000</b>	<b>(1,525,615)</b>	<b>(5)</b>	-
<b>Other property, plant and equipment</b>							
Office Equipment	1,497,692	-	1,497,692	3,000,000	(1,502,308)	(100)	Delay in specifications resulted in under spending
Furniture & Fittings	1,572,645	-	1,572,645	3,399,874	(1,827,229)	(116)	Delay in specifications resulted in under spending
	<b>3,070,337</b>	-	<b>3,070,337</b>	<b>6,399,874</b>	<b>(3,329,537)</b>	<b>(108)</b>	-
<b>Total</b>							
Buildings	14,063,206	-	14,063,206	5,750,000	8,313,206	59	
Motor vehicles	-	-	-	1,585,000	(1,585,000)	-	
IT equipment	4,102,628	-	4,102,628	9,220,610	(5,117,982)	(125)	
Computer software	256,369	-	256,369	300,000	(43,631)	(17)	
Infrastructure	30,074,385	-	30,074,385	31,600,000	(1,525,615)	(5)	
Community	-	-	-	-	-	-	
Other property, plant and equipment	3,070,337	-	3,070,337	6,399,874	(3,329,537)	(108)	
	<b>51,654,943</b>	-	<b>51,654,943</b>	<b>54,855,484</b>	<b>(3,200,541)</b>	<b>(6)</b>	-

# **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2010

## **Supplementary Information**

Appendix F: Disclosure of Grants and subsidies in terms of the Municipal Finance Management Act

**Sedibeng District Municipality**

APPENDIX F for the ended 30 June 2010

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun				
Equitable Share	National Treasury	83,992,810	67,005,248	50,584,687	-	-	50,395,686	50,395,687	50,395,686	50,395,686	-	-	-	-	-	-		Yes	
Youth Grant	NYDA	-	-	1,000,000	-	-	250,000	250,000	250,000	250,000	-	-	-	-	-	-		Yes	
Ambulance Subsidy	Dept of Health	15,560,000	-	15,560,000	-	-	7,780,000	7,780,000	7,780,000	7,780,000	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
NDPG Grant	National Treasury	-	-	23,873,000	-	-	-	-	-	4,603,852	-	-	-	-	-	-		Yes	
Operational Grant	National treasury	750,000	-	-	-	-	208,495	449,501	188,652	1,756,503	-	-	-	-	-	-		Yes	
DLG Grants	DLG Grants	-	-	-	-	-	39,106	994,509	191,507	2,224,172	-	-	-	-	-	-		Yes	
Provincial grants	Provincial Treasury	-	-	650,000	-	-	1,461,302	1,518,133	3,506,325	408,248	-	-	-	-	-	-		Yes	
		100,302,810	67,005,248	91,667,687	-	-	60,134,589	61,387,830	62,312,170	67,418,461	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.